

STATE OF SOUTH CAROLINA

Request for Approval of Third Amendment to Contract  
for Electric Service with Michelin North America, Inc.

BEFORE THE  
PUBLIC SERVICE COMMISSION  
OF SOUTH CAROLINA

COVER SHEET

DOCKET

NUMBER: 2011 - 265 - E

2011-265-E

230618

230619

(Please type or print)

Submitted by: Matthew W. Gissendanner  
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NOTE: The cover sheet and information contained herein neither replaces nor supplements the filing and service of pleadings or other papers as required by law. This form is required for use by the Public Service Commission of South Carolina for the purpose of docketing and must be filled out completely.

**DOCKETING INFORMATION** (Check all that apply)

- ☐ Emergency Relief demanded in petition ☐ Request for item to be placed on Commission's Agenda expeditiously
- ☐ Other: \_\_\_\_\_

INDUSTRY (Check one)	NATURE OF ACTION (Check all that apply)			
<input checked="" type="checkbox"/> Electric	<input type="checkbox"/> Affidavit	<input checked="" type="checkbox"/> Letter	<input checked="" type="checkbox"/> Request	
<input type="checkbox"/> Electric/Gas	<input type="checkbox"/> Agreement	<input type="checkbox"/> Memorandum	<input type="checkbox"/> Request for Certification	
<input type="checkbox"/> Electric/Telecommunications	<input type="checkbox"/> Answer	<input type="checkbox"/> Motion	<input type="checkbox"/> Request for Investigation	
<input type="checkbox"/> Electric/Water	<input type="checkbox"/> Appellate Review	<input type="checkbox"/> Objection	<input type="checkbox"/> Resale Agreement	
<input type="checkbox"/> Electric/Water/Telecom.	<input type="checkbox"/> Application	<input type="checkbox"/> Petition	<input type="checkbox"/> Resale Amendment	
<input type="checkbox"/> Electric/Water/Sewer	<input type="checkbox"/> Brief	<input type="checkbox"/> Petition for Reconsideration	<input type="checkbox"/> Reservation Letter	
<input type="checkbox"/> Gas	<input type="checkbox"/> Certificate	<input type="checkbox"/> Petition for Rulemaking	<input type="checkbox"/> Response	
<input type="checkbox"/> Railroad	<input type="checkbox"/> Comments	<input type="checkbox"/> Petition for Rule to Show Cause	<input type="checkbox"/> Response to Discovery	
<input type="checkbox"/> Sewer	<input type="checkbox"/> Complaint	<input type="checkbox"/> Petition to Intervene	<input type="checkbox"/> Return to Petition	
<input type="checkbox"/> Telecommunications	<input type="checkbox"/> Consent Order	<input type="checkbox"/> Petition to Intervene Out of Time	<input type="checkbox"/> Stipulation	
<input type="checkbox"/> Transportation	<input type="checkbox"/> Discovery	<input type="checkbox"/> Prefiled Testimony	<input type="checkbox"/> Subpoena	
<input type="checkbox"/> Water	<input type="checkbox"/> Exhibit	<input type="checkbox"/> Promotion	<input type="checkbox"/> Tariff	
<input type="checkbox"/> Water/Sewer	<input type="checkbox"/> Expedited Consideration	<input type="checkbox"/> Proposed Order	<input type="checkbox"/> Other:	
<input type="checkbox"/> Administrative Matter	<input type="checkbox"/> Interconnection Agreement	<input type="checkbox"/> Protest		
<input type="checkbox"/> Other:	<input type="checkbox"/> Interconnection Amendment	<input type="checkbox"/> Publisher's Affidavit		
	<input type="checkbox"/> Late-Filed Exhibit	<input type="checkbox"/> Report		



Matthew W. Gissendanner  
Senior Counsel

[matthew.gissendanner@scana.com](mailto:matthew.gissendanner@scana.com)

June 24, 2011

**VIA HAND DELIVERY**

The Honorable Jocelyn G. Boyd  
Chief Clerk/Administrator  
**Public Service Commission of South Carolina**  
101 Executive Center Drive (29210)  
Post Office Drawer 11649  
Columbia, South Carolina 29211

RECEIVED

FSC SO  
MAIL / DMS

RE: South Carolina Electric & Gas Company  
Request for Approval of Third Amendment to Contract for Electric Service with  
Michelin North America, Inc.

Dear Ms. Boyd:

Pursuant to 26 S.C. Code Ann. Regs. 103-303 (1976, as amended), South Carolina Electric & Gas Company ("SCE&G" or "Company") hereby files with the Public Service Commission of South Carolina ("Commission") and seeks approval of a Third Amendment ("Third Amendment") to the Contract for Electric Service ("Contract") between SCE&G and Michelin North America, Inc. ("Michelin"), with such approval to be made effective as of May 8, 2011, the effective date of the Third Amendment.<sup>1</sup> A summary of the key terms and provisions of the Third Amendment is set forth below.

The Third Amendment is related to Michelin's recent decision to invest another \$200 million in its facility in Lexington County, South Carolina, to further expand its tire building capacity. It is SCE&G's understanding that, as part of this expansion, Michelin expects to create 270 new jobs, phased in over the next two years.

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<sup>1</sup> On March 20, 1998, SCE&G and Michelin executed the Contract for electric service. Under the Contract, SCE&G provided electric service to Michelin pursuant to the Company's Commission-approved retail electric rate schedule Rate 23 and its Commission-approved Real Time Pricing methodology. Because SCE&G was charging Michelin a rate for electric service that had been previously approved by the Commission, SCE&G was not required to seek Commission approval of the Contract. Likewise, the first and second amendments to the Contract did not require Commission approval because those amendments did not alter or change the rate under which SCE&G billed Michelin for electric service.

(Continued...)

Under the Third Amendment, SCE&G will provide electric service to Michelin's expanded load pursuant to the demand charge set forth in the Company's retail electric rate schedule entitled "Rate 23 – Industrial Power Service" as currently approved by the Commission and an economic development credit. Thereafter, Michelin will be billed for electricity under Rate 23.

Due to the commercial sensitivity and proprietary nature of certain provisions of this Third Amendment as well as the highly competitive nature of the industry in which Michelin operates, the Company and Michelin respectfully request that the Commission find that the Third Amendment contains protected information and issue a protective order barring the disclosure of this agreement under the Freedom of Information Act, S.C. Code Ann. §§ 30-4-10 *et seq.*, 26 S.C. Code Ann. Regs. 103-804(S)(1), or any other provision of law. Pursuant to S.C. Code Ann. Regs. 103-804(S)(2), the determination of whether a document may be exempt from disclosure is within the Commission's discretion.

To this end, and in accordance with Commission Order No. 2005-226, dated May 6, 2005, in Docket No. 2005-83-A, we enclose with this letter a redacted version of the Third Amendment that protects from disclosure the sensitive, proprietary and commercially valuable information, while making available for public viewing non-protected information. We also enclose a copy of the unredacted Third Amendment in a separate, sealed envelope and respectfully request that, in the event that anyone should seek disclosure of this unredacted Third Amendment, the Commission notify SCE&G of such request and provide it with an opportunity to obtain an order from this Commission or a court of competent jurisdiction protecting the Third Amendment from disclosure.

Enclosed are the following:

- (1) A true and correct copy of the original Third Amendment in a sealed envelope marked "CONFIDENTIAL." Each page of the Third Amendment is also marked "CONFIDENTIAL."
- (2) Ten copies of a redacted copy of the Third Amendment for filing and public disclosure.

By copy of this letter, we are providing the South Carolina Office of Regulatory Staff ("ORS") with a redacted copy of the Third Amendment for its records. Additionally, SCE&G will make the original, unredacted copy of the Third Amendment available to ORS for its review.

Thank you for your assistance and consideration of this matter. If you have any questions, please do not hesitate to contact us at your convenience.

(Continued...)

The Honorable Jocelyn G. Boyd  
June 24, 2011  
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Very truly yours,

*Matthew W. Gissendanner*

Matthew W. Gissendanner

MWG/mcs  
Enclosure

cc: John W. Flitter  
Jeffrey M. Nelson, Esquire  
(via hand delivery)

ORIGINAL



THIRD AMENDMENT TO  
CONTRACT FOR ELECTRIC SERVICE  
(CONTRACT # E9805112)

This Third Amendment to Contract for Electric Service ("Third Amendment") is made and entered into effective May 8, 2011 ("Effective Date") by and between South Carolina Electric & Gas Company ("Company" or "SCE&G") and Michelin North America, Inc. ("Customer").

RECITALS

WHEREAS, SCE&G and Customer are parties to a Contract for Electric Service (No. E9805112) dated April 1, 1998 (the "Original Contract"), as amended on September 16, 2004 (the "First Amendment"), and as amended on March 1, 2006 (the "Second Amendment"), (collectively, the "Contract"); and

WHEREAS, Company and Customer now desire to amend the Contract in certain particulars.

NOW, therefore, for and in consideration of the mutual covenants herein contained, the parties hereto agree as follows:

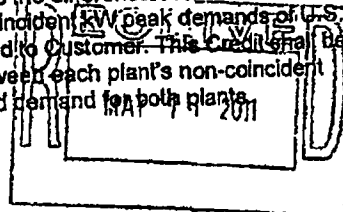
AGREEMENT

The following pages of the Original Contract are eliminated in their entirety: Unnumbered page beginning with B. BASE RATE STRUCTURE through the end of numbered page 8, Exhibit A (8 total pages) and Exhibit B (1 total page). The initial term of this Third Amendment shall be ten (10) years from its Effective Date.

ACCOUNTING FOR EACH PLANT

The Contract contemplated one account ("Lexington Site") based on coincidentalized demand and arithmetically added energy. Due to Customer requirements for accounting at the plant level (hereinafter "U.S. 5" and "U.S. 7"), Company and Customer have agreed to bill each plant separately. In keeping with the intent of the Contract, Customer and Company have agreed on the following arrangements for billing:

1. The Basic Facilities Charge as is indicated on Company's Industrial Power Service Rate 23 (IPS) in effect at the time of billing will be allocated [redacted] to U.S. 5 and [redacted] to U.S. 7.
2. The Contract Demand is currently [redacted] and is allocated with [redacted] to U.S. 5 and [redacted] to U.S. 7. At the time that billing commences under this Third Amendment as is specified below, the Contract Demand will be allocated with [redacted] to U.S. 5 and [redacted] to U.S. 7 as is provided in Paragraph 5 under Special Conditions below.
3. In any month that the power factor at the time of coincidentalized kW demand of U.S. 5 & U.S. 7 is less than 85% power factor then a power factor penalty shall be assessed in accordance with Company's Industrial Power Service Rate 23 (IPS) in effect at the time of billing. The power factor penalty shall be assessed to the U.S. 5 and U.S. 7 bills based on each plant's contribution to the power factor penalty.
4. Each month, the actual demand for each account shall be based on the non-coincident peak kW demand of each plant. A Coincidental Demand Credit equal to the difference between the coincidental kW demand of both plants and arithmetic non-coincident kW peak demands of U.S. 5 & U.S. 7 times the applicable Demand Rate shall be credited to Customer. This Credit shall be divided between U.S. 5 & U.S. 7 based on the difference between each plant's non-coincident kW peak and their pro rata contribution to the coincidentalized demand for both plants.



## SPECIAL CONDITIONS

### 1. Customer Expansion:

The Customer has committed to make an estimated \$200,000,000 expansion at its Lexington Site, which it plans to officially announce in May 2011. This expansion will require about [REDACTED] of additional capacity from the Company's Michelin Substation and will add additional load ("Expansion Load") to Company's system as defined in paragraph 4 below.

### 2. Equipment In-Service Date

The Equipment In-Service Date shall be defined as the date when Customer notifies the Company that the manufacturing equipment for the Expansion Load has been installed and is operational, or October 12, 2012, whichever occurs first. Customer may at any time within the first six (6) months following the Equipment In-Service Date request for the Economic Development Credits (EDC) described below to begin. Such request shall be in writing with 30 days notice. In the event Customer does not make such request during the first six month period following the Equipment In-Service Date, the EDCs shall begin automatically on the first billing period following the expiration of the six month period.

### 3. Economic Development Credits

Customer will be billed for all service in accordance with Company's Industrial Power Service Rate 23 (IPS) in effect at the time of billing, with the exception of the U. S. 5 & U.S. 7 Expansion Load which will be billed as described below.

Beginning with the Customer's first bill issued following the Equipment In-Service Date and extending for a period of three (3) consecutive 12 month periods, the Customer's Expansion Load will be billed according to a Contract Rate, consisting of: 1) a Demand Charge and 2) an Economic Development Credit, as follows:

- 1) Demand Charge: The Customer's Demand Charge for the Expansion Load shall be Demand Charge for "All KW of Billing Demand" in the Company's IPS Rate 23, in effect at the time of billing, applied to the Billing Demand kW as determined by the Company.
- 2) Economic Development Credit: The Customer's Economic Development Credit for the Expansion Load shall be determined by multiplying the Economic Development Credit percentages listed below times the Demand Charge for the Expansion Load.

<u>Amendment Year</u>	<u>Economic Development Credit</u>
Year 1	[REDACTED]
Year 2	[REDACTED]
Year 3	[REDACTED]

At the conclusion of three years of receiving Economic Development Credits under this Amendment, billing for all service under this Contract shall be in accordance with the Company's Industrial Power Service Rate 23, in effect at the time of billing. The provisions of the Section of this Third Amendment entitled ACCOUNTING FOR EACH PLANT will continue during the term of this Third Amendment.

**4. Expansion Load:**

Beginning with the Equipment In-Service Date, the Expansion Load will be determined as the amount by which the coincidental monthly peak demand exceeds the site's (includes both U. S. 5 & U. S. 7 load) coincidental peak demand for the 12 month period beginning September 2009 through August 2010 as indicated below:

Expansion Baseline Peak Demand levels are as follows:

January 2010	██████████	July 2010	██████████
February 2010	██████████	August 2010	██████████
March 2010	██████████	September 2009	██████████
April 2010	██████████	October 2009	██████████
May 2010	██████████	November 2009	██████████
June 2010	██████████	December 2009	██████████



**5. Contract Demand**

In the same billing period that Customer begins receiving Economic Development Credits, the Contract Demand shall be raised from ██████████ to ██████████. This new Contract Demand shall be allocated between U. S. 5 and U. S. 7 as follows: ██████████ to U. S. 5 and ██████████ to U. S. 7.

### STANDARD CONDITIONS

The following two provisions are added to the Standard Conditions of the Contract:

**Creditworthiness:** Company, in order to satisfy itself of the ability of the Customer to meet its obligations under the Contract, may conduct periodic reasonable credit reviews in accordance with standard commercial practices. Customer agrees to assist in these reviews by providing financial information and at the request of the Company, will maintain such credit support or surety including but not limited to, an unconditional and irrevocable letter of credit to provide adequate security for protection against the risk of nonpayment.

**Assignment:** Neither Party shall assign this Agreement or its rights hereunder without the prior written consent of the other Party, which consent may be withheld in the exercise of its sole discretion.

The language in the Termination paragraph contained in the Contract related to Demand Termination Charges shall apply as follows:

The Termination paragraph in the Contract states "Customers who terminate prior to the expiration of the initial term or any extension thereof shall also pay to Company a termination charge equal to 90% of the maximum demand set during the term times the demand rate in effect at the time of termination times the number of months remaining in the contract period." In no case shall this Termination Charge exceed the Economic Development Credits issued prior to termination. For the purposes of calculating the maximum demand set during the term, the following shall apply:

1. The underlying Contract dated April 1, 1998 is in "evergreen" status meaning it is beyond the initial term of the Contract and the Termination notice is 12 months. The maximum demand set during the term for the non-Expansion Load is hereby agreed to be determined by 90% of the maximum Expansion Baseline Peak Demand level or  $\text{[REDACTED]} * 90\% = \text{[REDACTED]}$
2. The maximum demand set during the ten (10) year initial term of this Amendment for the Expansion Load shall be 90% of highest Expansion Load (monthly kW demand for site load less Expansion Baseline Peak Demand level).
3. At the end of the initial term of this Amendment, all load will be treated the same and will be subject to the Termination paragraph in the Contract.
4. Facility Termination shall apply in either case above as outlined in Termination paragraph of Contract.

### REGULATORY APPROVAL

The Customer agrees to support the Company in its request to the Public Service Commission of South Carolina ("Commission") to protect the confidential information contained within the Contract. This Contract is subject to the approval of the Commission, and any and all provisions herein are subject to change by order(s) of the Commission and the Customer agrees to support the Company in its request to the Commission seeking approval of the Contract.

**CONFIDENTIALITY**

Company and Customer hereby agree to keep the terms of this Contract confidential. Neither party shall disclose directly or indirectly without the prior written consent of the other party the terms of this Contract to a third party except (i) in order to comply with any applicable law, order, regulation, or exchange rule; (ii) to the extent necessary for the enforcement of this Contract; or (iii) to its employees, lenders, counsel, accountants and other agents on a need-to-know basis for the analysis of business issues related to this Contract, provided such persons shall have agreed to keep such terms confidential. The existence of this Contract is not confidential.

Except as noted herein, all other provisions of the Contract shall remain in full force and effect. No other provisions of the Contract are altered by this Third Amendment.

In Witness Whereof, the parties hereto have caused these presents to be duly executed this 8<sup>th</sup> day of May, 2011.

Michelin North America, Inc.

By: [Signature]

South Carolina Electric & Gas Company

By: [Signature]

William G. Watkins

Its: VP PURCHASING

Its: Manager-Large Customer Accounts and Services